



March 2008

Certification Report



Canadian Forest Products Ltd. Mackenzie Defined Forest Area

As a component of Canfor's ongoing commitment to sustainable forest management and forest certification, an audit team from PricewaterhouseCoopers conducted a CAN/CSA Z809-02 Surveillance Audit on Canfor's Sustainable Forest Management ("SFM") Plan and SFM practices and procedures on the Mackenzie Defined Forest Area ("DFA") in August 2007. The audit team also conducted an ISO 14001:2004 Re-registration Audit on Canfor's Environmental Management System ("EMS") and its EMS Practices and Procedures at the same time.

The audits determined that Canfor's Mackenzie Division continues to meet the requirements of the CAN/CSA Z809-02 Standard for Sustainable Forest Management and the ISO 14001:2004 Standard for an Environmental Management System.

The audit results demonstrate Canfor's strong commitment to managing the forest resources where we operate in an environmentally sound and sustainable manner.



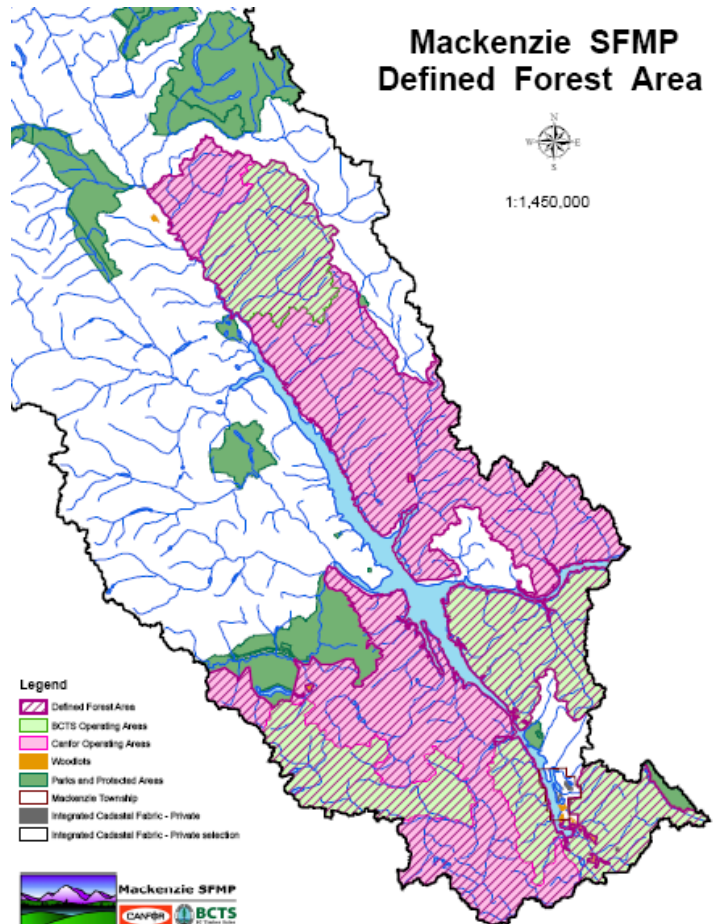
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Background Information

In 2004, Canfor – Mackenzie embarked upon developing a Sustainable Forest Management Plan (SFM Plan) for their operations in the Mackenzie Timber Supply Area (TSA). The development of the SFM Plan and interaction with the Public Advisory Group was a cooperative effort with BC Timber Sales. The result of this effort was the Mackenzie SFMP which was subsequently certified to have met CAN/CSA Z809-02 sustainable forest management standards.

The resultant area covered under the SFMP, the Mackenzie Defined Forest Area (DFA), comprises approximately 2.1 million hectares of the Mackenzie TSA and is contained within two large and contiguous blocks of land to the northeast and southwest of Williston Lake. The Mackenzie TSA spans approximately 6.1 million hectares and has the Rocky Mountains and the Rocky Mountain Trench as its dominant natural features. Forests in the TSA are primarily mixed stands with the predominant commercial species being Engelmann spruce, white spruce, lodgepole pine, and sub-alpine fir.

Of the 2.1 million hectares in the DFA, Canfor – Mackenzie manages approximately 1,256,000 hectares, or 59.8% of the DFA. Similarly, Canfor – Mackenzie’s annual allowable cut (AAC) on the DFA is 1,082,904 m³, or 54.5% of the DFA’s AAC.



Certification to the CAN/CSA Z809-02 and ISO 14001:2004 Standards (the “Standards”) require independent third-party audits. In August 2007, a two-person audit team from PricewaterhouseCoopers and an independent specialist conducted the audits. The audit team consisted of:

Lead Assessor – James Lucas, RPF, EMS, (LA) candidate
Contract Assessor – Dave Barker, RPF EMS (A) CEA (SFM)

The audit occurred on August 1-3, 2007 during which time the audit team met with and interviewed staff, contractors, and

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members of the public and examined the SFM Plan, records, Environmental Operating Procedures, monitoring information and the minutes and operating procedures of the Public Advisory Group. The team also conducted field assessments during the audit to assess the company's planning, harvesting, silviculture, road construction, road maintenance, and road deactivation activities.



Good Management Practices

The audit team identified the following management practices that exceeded expectations:

- 1) Canfor Mackenzie staff have shown a commitment to professionalism throughout the assessment, in spite of difficult business circumstances.
- 2) Canfor Mackenzie has continued its commitment to the PAG process throughout the period of uncertainty surrounding the potential mill closure.
- 3) Silviculture staff have demonstrated an Integrated Pest Management approach by using sheep grazing as an alternative to other brushing techniques such as herbicides or manual brushing.
- 4) Silviculture staff have demonstrated forward thinking by stockpiling a large amount of lodgepole pine seed for future use.
- 5) Canfor Mackenzie has developed a well documented educational manual which covers species at risk training in the DFA for Canfor staff.

Non-conformities

The audit team identified three nonconformities against the Standards and/or Canfor policies. Canfor has subsequently provided PricewaterhouseCoopers with action plans, including timelines, for addressing the issues. The following non-conformities were identified:

- 1) It appears that not all Canfor staff working in the woodlands are sufficiently trained to identify environmental issues. For example, one bridge at the entrance to a block had water erosion on the road running surface, settling and separation issues on the bridge-road interface and had a lack of proper sediment control in ditches. As Canfor silviculture staff were on the block during the summer supervising tree planting activities, this issue should have been reported to roads staff for immediate attention.



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- 2) Canfor's policy regarding training of its contractors is that the training of the principals of the company will be recorded in Canfor's training database. There are no current records of training for any of these contractors in spite of the fact that there have been a large number of training workshops held by Canfor for these contractors.



- 3) Assessment of compliance is being conducted as part of the management review. It is focusing on the analysis of compliance with respect to reported incidents. As there has only been one reported environmental incident in the past two years, Canfor Mackenzie management should ensure that other potential non-conformities are being captured by their process.

All of the Non-conformities will be followed up by the audit team at the next surveillance audit scheduled in 2008.

Opportunities for Improvement

The audit team identified ten opportunities for improvement. Canfor has subsequently provided PricewaterhouseCoopers with action plans, including timelines, for addressing the issues. Opportunities for improvement identified were:

- 1) At one block a full box of seedlings, a silvicool tarp and a number of empty tree boxes were found.
- 2) A number of diesel/hydraulic oil stains were noted during the audit. To remediate these minor spills on-site, Canfor Mackenzie may wish to investigate the mixing of fertilizer with the soil on these sites to speed the microbial breakdown of the hydrocarbons.
- 3) A block sign was knocked down during road construction and was not replaced
- 4) A number of members of its PAG are concerned about road safety and maintenance on the Ft. St. James-Germansen Landing road. As these seem to be a valid and ongoing concern, Canfor Mackenzie may wish to advocate be invited to join the multi-stakeholder Road Use Committee to allow their concerns to be heard.
- 5) Current status and targets are still being developed for measures pertaining to coarse woody debris, biodiversity reserves, non-timber forest products, and ecosystem analysis. Canfor Mackenzie may wish to inform PwC when these measures are fully developed.
- 6) Due to the lack of activity, maintenance, and potential personnel changes Canfor Mackenzie may wish to conduct a strategic review of



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caused some rutting in the wet areas within the zone. It appears that the boundary flags were hung too low for the operator to see in winter conditions. However, the NP boundaries were indicated on the logging map and some of the area was designated as a machine free zone.

- priorities to capture personnel knowledge prior to any changes.
- 7) Several bridge approaches lacked signs warning of a bridge or narrow structure ahead or bridge delineators.
 - 8) In two instances contractors had obsolete environmental instructions in their possession.
 - 9) One forwarder was missing a spill kit. The forwarder operator had a spill kit in his truck but it was not within the machine itself.
 - 10) On one block a feller buncher entered a ribboned out Non-Productive (NP) zone and

Note: The above list of opportunities for improvement has been consolidated and/or edited for clarity.

For more information about Canfor's SFM Plan, visit www.canfor.com, or contact:

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